

# EXHIBIT 16

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# Our HSE Relationship

CURRENT & FUTURE STATUS



Mizzou K-12  
College of Education  
University of Missouri

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# Historical Background

1999-2015

HSE with Texas Tech (TTUISD)



2015

HSE joins Mizzou (MK12)



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# Unknowns of New Model

## Curriculum Design Model

- *50-50 to 80-20: HSE team unacceptable*

## Teaching Model

- *6-8 teachers to 180 GTA model*

## Cost Model

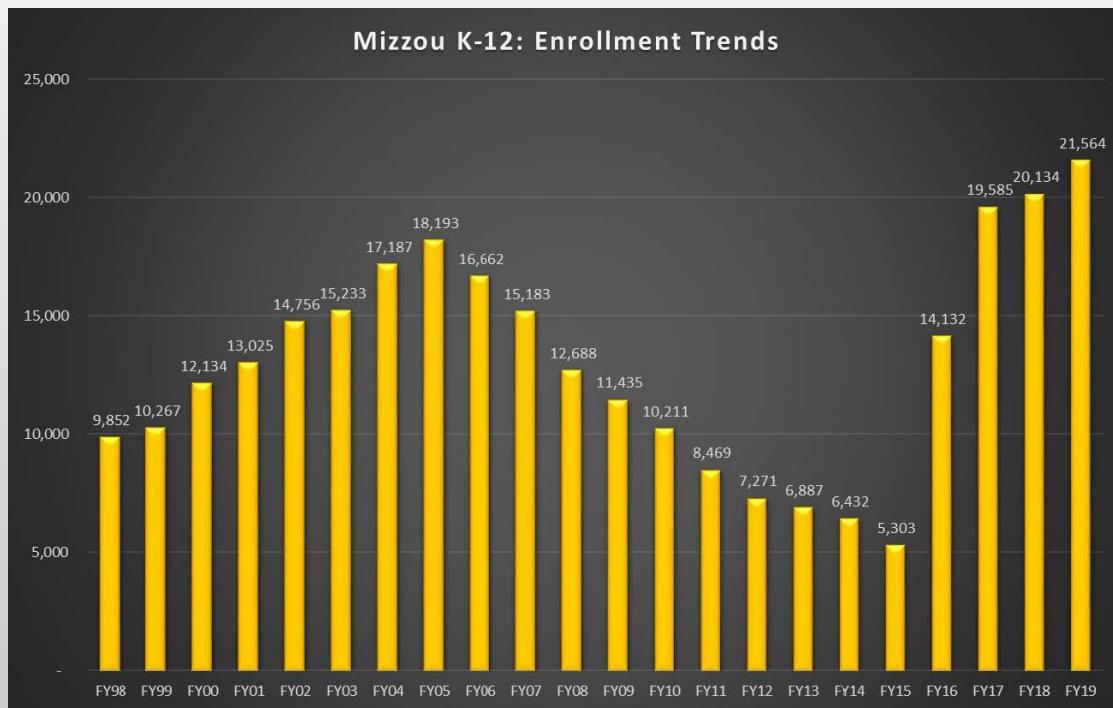
- *2015, 2016, 2017, 2018: HSE model changes*
- *2015 \$/course vs Cost vs Revenue Share*



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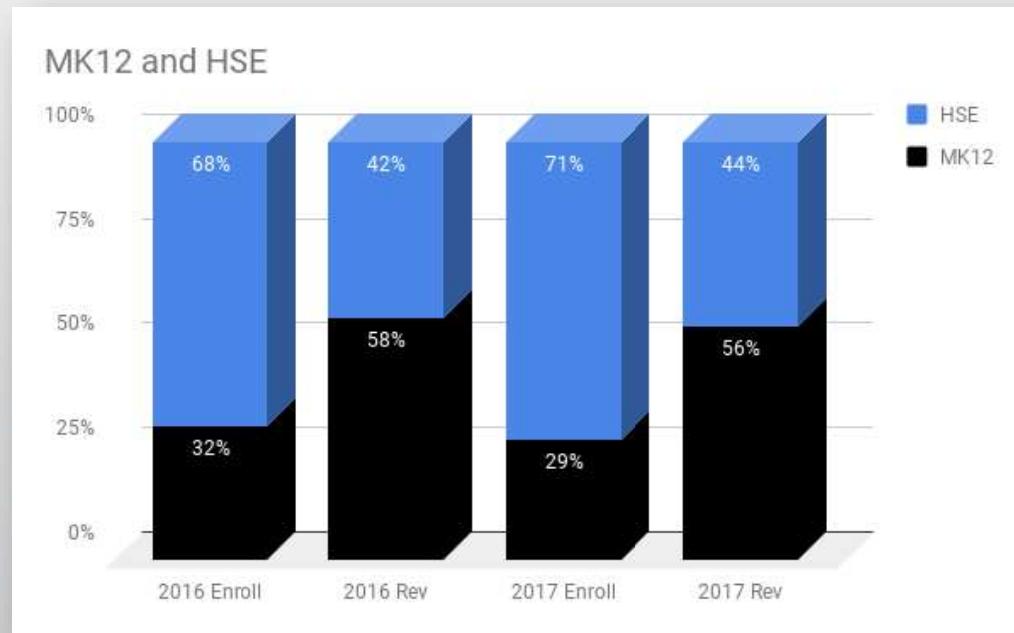
# Mizzou K-12 Enrollments



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# Mizzou K-12 and HSE – Enroll vs Revenue



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# Financial Status

## HSE Projected Revenues

2016 \$ 4,836,287

2017 \$ 6,086,083

2018 \$ 7,335,256

2019 \$ 9,139,000

**Total \$ 27,396,626**



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# Financial Status

## HSE Payments to MK12

2016 \$ 1,334,775

2017 \$ 1,052,020

2018 \$ 2,499,935

2019 \$ 2,700,000

**Total \$ 7,586,730**



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# Financial Status

## HSE Projected Revenues

2016	\$ 4,836,287
2017	\$ 6,086,083
2018	\$ 7,335,256
<u>2019</u>	<u>\$ 9,139,000</u>
<b>Total</b>	<b>\$ 27,396,626</b>

## HSE Payments to MK12

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2017	\$ 1,052,020
2018	\$ 2,499,935
<u>2019</u>	<u>\$ 2,700,000</u>
<b>Total</b>	<b>\$ 7,586,730</b>



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# Financial Models

## 1. 2015 Financial Model

- *Failed to provide adequate funding for MK12*
- *\$2.3M due at 2015 prices for 2016-2018*

## 2. 2017 Cost Model

- *Covers all aspects of the MK12 operation*
- *\$4.2M due in unpaid invoices for 2016-2018*

## 3. 2018 Revenue Share Model

- *“Revenue” not true revenue*



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# Timeline of Activities

- **February 6-9, 2017.** RA & MM to CoMo to discuss budget model, but worked on MSGL.
- **March 15, 2017.** MM in CoMo,
- **October 3-11, 2017.** ZM & TMH to Brazil to re-engage HSE in budget discussions.  
**December 22, 2017.** Rec'd Course Dev cost data; 2018 to be a "Maintenance Year"
- **March 14-20, 2018.** RA & MM flew to CoMo; MK12 presented HSE with DEV / PD / Travel costs.
- **April 23, 2018.** ZM sent RA detailed cost structure data sheets to facilitate the discussion before invoicing. No feedback from RA.
- **May 11, 2018.** MK12 presented HSE with invoice for 2015 & 2016 & 2017. RA agreed to pay \$1.8M immediately and \$700K by December but also said they did not recognize the remainder of the invoice cost.
- **October 1, 2018.** MK12 presented to HSE student enrollment data.
- **December 12, 2018.** ZM & TMH discussed w/ RA & MM differences of opinion on rates / billing / cost of program.
- **January 1, 2019.** After not receiving \$700K, MK12 presented HSE with invoice.
- **January 9, 2019.** HSE informed MK12 sent \$699,945
- **January 16, 2019.** ZM & TMH engaged OGC



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# Financial Status

## Course Delivery

- 2015 Model: \$ 5,173,827
- Cost Model: \$ 7,264,821

## Course Development

- \$1,800,000

## Professional Development & Travel

- \$ 500,000



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# Financial Status – 2015 vs Cost

COURSE	2015 Rate	Cost Model	AVERAGE COST PER COURSE
Career Plan	\$ 71.69	\$ 172.24	2015 = \$113
College Prep	\$ 71.69	\$ 172.99	Cost = \$174 (2018)
Debate	\$ 62.13	\$ 166.99	\$200 (2019)
Economics	\$ 238.20	\$ 188.49	
English 10A	\$ 234.51	\$ 194.49	
English 10B	\$ 68.00	\$ 170.24	
English 9A	\$ 233.75	\$ 193.24	
English 9B	\$ 67.25	\$ 168.74	
Health	\$ 67.25	\$ 167.24	
Marketing	\$ 87.12	\$ 178.24	
Speech 1	\$ 57.69	\$ 168.24	
Speech 2	\$ 58.44	\$ 169.74	
US Govt	\$ 87.12	\$ 169.74	
US History 1	\$ 86.37	\$ 165.49	
US History 2	\$ 86.37	\$ 167.49	
WFTCC	\$ 234.51	\$ 174.74	

## Other Courses

MSGL	\$185
Extra Courses	\$250
• <i>Art I</i>	
• <i>Humanities</i>	
• <i>Information Literacy</i>	
• <i>Physical Science</i>	
• <i>Web Apps</i>	

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# School Reach Out to MK12

Concerns about HSE:

- Detrimental presence at Summer Camp
- Sale of HSE to competitor company
  - *Cannot work with HSE as competitor*
  - *Cannot go back to TTUISD*
  - *Need High School Program*
  - *Want Mizzou!*

Ready to step in as Brazil CSR



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# School Reach Out to MK12

## What this means for Mizzou K-12

- *School-to-School relationships*
- *34% tax becomes revenue*
- *New program potential*
  - Scholarships
  - STEM
  - Counselor & Special Needs
  - MORE!



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## Legal Action - OGC

- **OGC meeting with HSE on Monday**
  - *Discuss Good Faith Effort of Mizzou*
  - *Notify HSE of requirement to pay within 30 days or in breach of contract*
  - *Notify HSE that if in breach of contract that the University will sue for monies*
  - *Notify HSE that future pay structure to could be at published rates of \$250 course*



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## Legal Action - OGC

- **If HSE in Breach of Contract:**
  - *MK12 contract with HSE cancelled*
  - *All educational activities with Brazil must stop*
    - Notice to schools
    - Canvas access closed
    - Genius access closed
  - *Schools must cancel contract with HSE before contracting with MK12*



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# Next steps for Mizzou K-12 Team

- Continue working with Schools until HSE in breach
  - *Coordinators / Teachers / Students*
- Review pacing in Course Guides
  - *Make plans for different re-entry times (i.e., 2 wk / 1 mos / etc.)*
- Immediately stop all work with HSE
  - *Roger / Maria / Mariana / Bernie / etc.*
- Remove HSE from all online docs
  - *Google / Box / SmartSheets / etc.*



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# Next steps for Mizzou K-12 Team

## Do not work in HSE space (Google Docs)

- *Files have been copied*
- *Delete your links to HSE space*

## New MK12 Collaborative Environment

- *Begin working in MK12 online collaborative environment*
- *Collaborate freely with MK12 and MU personnel*
- *For non-MU personnel, discuss with your supervisor the purpose and access*



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# Next steps for Mizzou K-12 Team

Handling questions from Brazil schools

- OGC will provide a Q&A of what you can say



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Thoughts ...



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